

CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

The St. Vincent's Medical Center Years Ended September 30, 2011 and 2010 With Report of Independent Auditors

Ernst & Young LLP



Consolidated Financial Statements and Other Financial Information

Years Ended September 30, 2011 and 2010

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Report of Independent Auditors

The Board of Directors St. Vincent's Medical Center Bridgeport, Connecticut

We have audited the accompanying consolidated balance sheets of St. Vincent's Medical Center and Subsidiaries (the "Medical Center") as of September 30, 2011 and 2010, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of St. Vincent's College, Inc. (the "College"), a wholly-owned subsidiary, which statements reflect total assets of 2% as of September 30, 2011 and 2010, and revenues of 1% for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the College, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Medical Center's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated balance sheets of the Medical Center at September 30, 2011 and 2010, and the consolidated results of their operations and changes in net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

March 19, 2012

Consolidated Balance Sheets (Dollars in Thousands)

	Septemb 2011		nber	· 30 2010
Assets				
Current assets:				
Cash and cash equivalents	\$	6,932	\$	6,328
Investments in Health System Depository		1,463		17,194
Accounts receivable, less allowances for uncollectible accounts		,		,
(\$28,642 in 2011 and \$20,716 in 2010)	4	7,626		45,726
Advances to parent and affiliated entities, net		8,469		5,348
Inventories and other		8,850		8,775
Total current assets		3,340		83,371
	•	- , - . •		05,571
Investments in Health System Depository	8	39,464		55,544
Board-designated investments and assets limited as to use:				
Investments in Health System Depository	18	34,050		192,125
Temporarily restricted		277		247
Temporarily restricted interest in The St. Vincent's Medical				
Center Foundation, Inc.	1	1,259		16,284
Permanently restricted		68		68
Permanently restricted interest in The St. Vincent's Medical				
Center Foundation, Inc.	1	0,066		10,020
Total board-designated investments and assets limited as to use		5,720		218,744
Unrestricted interest in The St. Vincent's Medical Center				
Foundation, Inc.		312		312
Property and equipment, net:				
Land and improvements		7,808		7,802
Buildings and equipment	39	3,394		371,638
Construction in progress		7,870		7,882
Less accumulated depreciation	(19	8,169)		(178,755)
Total property and equipment, net	21	0,903		208,567
Other assets	1	2,899		9,060
Total assets	\$ 59	2,638	\$	575,598

	September 30			
	2011	2010		
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 50,154	\$ 42,296		
Current portion of long-term debt	989	1,035		
Current portion of note payable, affiliate	438	404		
Estimated third-party payor settlements	10,883	12,219		
Total current liabilities	62,464	55,954		
Noncurrent liabilities:				
Long-term debt	46,906	59,295		
Pension and other postretirement liabilities	11,907	38,847		
Self-insurance liabilities	2,963	2,754		
Note payable, affiliate	10,753	11,191		
Other	10,140	8,154		
Total noncurrent liabilities	82,669	120,241		
Total liabilities	145,133	176,195		
Net assets:				
Unrestricted	425,835	372,784		
Temporarily restricted	11,536	16,531		
Permanently restricted	10,134	10,088		
Total net assets	447,505	399,403		

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Total liabilities and net assets	\$ 592,638	\$ 575,598

The accompanying notes are an integral part of the consolidated financial statements.

The St. Vincent's Medical Center

Consolidated Statements of Operations and Changes in Net Assets (Dollars in Thousands)

	Year Ended September 2011 2010			tember 30 2010
Operating revenues:				
Net patient service revenue	\$	400,189	\$	371,617
Other revenue		11,968		10,447
Net assets released from restrictions for operations		1,200		1,243
Total operating revenues		413,357		383,307
Operating expenses:				
Salaries and wages		170,718		161,015
Employee benefits		43,075		40,839
Purchased services		32,005		29,089
Professional fees		8,082		6,121
Supplies		59,384		61,157
Insurance		5,166		7,333
Bad debts		33,855		21,780
Interest		2,562		2,186
Depreciation and amortization		22,954		22,170
Other		23,271		21,540
Total operating expenses		401,072		373,230
Income from operations		12,285		10,077
Non-operating gains:				
Investment gains		7,962		27,367
Other		81		133
Total non-operating gains, net		8,043		27,500
Excess of revenues and gains over expenses		20,328		37,577

Continued on next page.

The St. Vincent's Medical Center

Consolidated Statements of Operations and Changes in Net Assets (continued) (Dollars in Thousands)

	Year Ended September 3 2011 2010			
Unrestricted net assets:				_
Excess of revenues and gains over expenses	\$	20,328	\$	37,577
Transfers from (to) sponsor and other affiliates, net		20,098		(12,773)
Net assets released from restrictions for property acquisitions		8,092		27,123
Pension and other post-retirement liability adjustments		4,533		2,481
Change in unrestricted interest in The St. Vincent's Medical		,		,
Center Foundation, Inc.		_		(78)
Increase in unrestricted net assets		53,051		54,330
Temporarily restricted net assets:				
Contributions		9,304		28,367
Investment income		18		5
Net assets released from restrictions		(9,292)		(28,366)
Change in temporarily restricted interest in The St. Vincent's				
Medical Center Foundation, Inc.		(5,025)		(18,336)
Decrease in temporarily restricted net assets		(4,995)		(18,330)
Permanently restricted net assets:				
Change in permanently restricted interest in The St. Vincent's				
Medical Center Foundation, Inc.		46		575
Increase in net assets		48,102		36,575
Net assets, beginning of the year		399,403		362,828
Net assets, end of the year	\$	447,505	\$	399,403

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows (Dollars in Thousands)

	Year Ended September 30 2011 2010			
Cash flows from operating activities				
Increase in net assets	\$	48,102	\$	36,575
Adjustments to reconcile change in net assets to net cash				
provided by operating activities:				
Depreciation and amortization		22,954		22,170
Loss on sale of property and equipment		669		136
Pension and other post-retirement liability adjustments		(4,533)		(2,481)
Restricted contributions and net investment income		(9,322)		(28,372)
Net change in unrealized gains (losses) on investments		9,237		(11,245)
Increase in interest in The St. Vincent's Medical Center				
Foundation, Inc.		4,979		17,839
Transfers (from) to sponsor and other affiliates, net		(20,098)		12,773
Increase in:				
Investments classified as trading		(19,351)		(32,561)
Accounts receivable, net		(1,900)		(4,893)
Advances to parent and affiliated entities, net		(3,121)		(2,495)
Inventories and other assets		(75)		(126)
Increase (decrease) in:				
Accounts payable and accrued liabilities		7,858		(4,446)
Estimated third-party payor settlements		(1,336)		3,117
Pension and other postretirement liabilities		5,291		2,025
Other noncurrent liabilities		2,195		1,367
Net cash provided by operating activities		41,549		9,383
Cash flows from investing activities				
Property and equipment additions, net		(28,363)		(26,847)
Proceeds from sale of property and equipment		6		43
Increase in assets limited as to use – temporarily restricted		(30)		(6)
Increase in other assets		(1,364)		(5,325)
Net cash used in investing activities		(29,751)		(32,135)

Continued on next page.

Consolidated Statements of Cash Flows (continued) (Dollars in Thousands)

	Year Ended September 30			
	2011			2010
Cash flows from financing activities				
Transfers to sponsor and other affiliates, net	\$	(7,677)	\$	(9,151)
Restricted contributions and net investment income		9,322		28,372
Repayments of long-term debt		(12,839)		(933)
Net cash (used in) provided by financing activities		(11,194)		18,288
Net increase (decrease) in cash and cash equivalents		604		(4,464)
Cash and cash equivalents, beginning of the year		6,328		10,792
Cash and cash equivalents, end of the year	\$	6,932	\$	6,328

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

September 30, 2011 (Dollars in Thousands)

1. Organization and Mission

Organizational Structure

The St. Vincent's Medical Center ("Medical Center"), a subsidiary of St. Vincent's Health Services Corporation ("Health Services"), is a member of Ascension Health. Ascension Health is a Catholic, national health system, consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 20 states throughout the United States and the District of Columbia. Ascension Health is sponsored by the Northeast, Southeast, East Central, and West Central Provinces of the Daughters of Charity of St. Vincent de Paul, the Congregation of St. Joseph, and the Congregation of the Sisters of St. Joseph of Carondelet

The Medical Center is a nonprofit hospital system, consisting of an acute care hospital located in Bridgeport, Connecticut and a behavioral health hospital located in Westport, Connecticut. The Medical Center provides inpatient, outpatient, and emergency care services for residents of the Greater Bridgeport area and its neighboring towns. Admitting physicians are primarily practitioners in the local area. Subsidiaries of the Medical Center include, the St. Vincent's Multispecialty Group, Inc. ("Multispecialty Group"), a nonprofit subsidiary of the Medical Center, is a consolidated group of primary care and specialty physicians and allied health professionals providing services to the Medical Center and the community. The St. Vincent's College, Inc. ("College"), a nonprofit subsidiary of the Medical Center, is an institution of higher learning that offers associate degrees in nursing, radiography, medical assisting, and health care management, as well as certificate programs in multi-skilled assisting, health care management, and health promotion. The Medical Center is related to Ascension Health's other sponsored organizations through common control. Substantially all expenses of Ascension Health are related to providing health care services.

The accompanying consolidated financial statements include the accounts of the Medical Center, Multispecialty Group and the College. All significant intercompany transactions have been eliminated in consolidation.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Mission (continued)

Mission

Ascension Health directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves. In accordance with Ascension Health's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay.

Ascension Health uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs:

- Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured.
- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.
- Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome.
- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Mission (continued)

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and community benefit programs. The cost of providing care of persons living in poverty and community benefit programs is estimated using internal cost data and is calculated in compliance with guidelines established by both the Catholic Health Association ("CHA") and the Internal Revenue Service ("IRS").

The amount of traditional charity care provided, determined on the basis of cost, excluding the provision for bad debt expense, was approximately \$3,553 and \$2,578 for the years ended September 30, 2011 and 2010, respectively. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost are reported in the accompanying other financial information.

2. Significant Accounting Policies

Principles of Consolidation

All corporations and other entities for which operating control is exercised by the Medical Center are consolidated, and all significant inter-entity transactions have been eliminated in consolidation.

Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Carrying value of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of other financial instruments classified other than current assets and current liabilities are disclosed in the Fair Value Measurements note.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with maturities of three months or less and certain highly liquid interest-bearing securities with maturities which may extend longer than three months but are convertible to cash within a one-month time period under the terms of the agreement with the investment manager.

Investments and Investment Return

The Medical Center holds investments through the Health System Depository ("HSD"), an investment pool of funds in which a limited number of nonprofit health care providers participate for purposes of establishing investment goals and monitoring performance under agreed-upon socially responsible investment guidelines. Investments are managed primarily by external investment managers within established investment guidelines. The value of the Medical Center's investment in the HSD represents the Medical Center's pro rata share of the HSD's investments held for participants. At September 30, 2011 and 2010, the Medical Center's investment in the HSD was \$274,977 and \$264,863, respectively.

The Medical Center also invests in equity and fixed income investments which are locally managed. All of these funds are held by the Foundation where the Medical Center has significant beneficial interest in Foundation's assets. The Medical Center reports both its investment in the HSD and at the Foundation in the accompanying consolidated balance sheets based upon the long or short term nature of its investment and whether such investments are restricted by law or donors or designated for specific purposes by a governing body of Ascension Health.

The HSD and Foundation's assets required to be recorded at fair value are comprised of equity and various fixed income investments. The HSD and Foundation also hold investments in hedge funds, private equity and real estate funds which are recorded under the equity method of accounting. In addition, the HSD participates in securities lending transactions whereby a portion of its investments is loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Investment returns are comprised of dividends, interest, and gains and losses. The cost of substantially all securities sold is based on the average cost method. All of the Medical Center's investments, including its investment in the HSD, are designated as trading investments. Accordingly, all investment returns, including unrealized gains and losses, are reported as non-operating gains (losses) in the consolidated statements of operations and changes in net assets, unless the return is restricted by donor or law.

Inventories

Inventories consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value utilizing first-in, first-out ("FIFO"), or a methodology that closely approximates FIFO.

Interest in The St. Vincent's Medical Center Foundation, Inc.

The interest in the Foundation represents the Medical Center's interest in the net assets of the Foundation. This investment is accounted for in accordance with ASC 958-20 *Beneficiary's Recognition of Interest in a Financially Interrelated Recipient Entity*.

Other Assets

Other assets primarily consist of goodwill and capitalized computer software costs, including software internally developed. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage or post-implementation stage. Other assets are comprised of the following:

September 30			
	2011		2010
\$	375	\$	_
	7,095		4,615
	5,429		4,445
\$	12,899	\$	9,060
	\$ \$	\$ 375 7,095 5,429	\$ 375 \$ 7,095 5,429

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Intangible assets whose lives are indefinite, primarily goodwill, are not amortized and are evaluated for impairment at least annually, while intangible assets with definite lives, primarily capitalized computer software costs, are amortized over their expected useful lives. Amortization expense for these intangible assets in 2011 and 2010 was \$1,329 and \$1,157, respectively.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift.

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. Depreciation expense in 2011 and 2010 was \$21,625 and \$21,013, respectively.

Estimated useful lives by asset category are as follows: land improvements—10 to 15 years; buildings—15 to 40 years; and equipment—5 to 20 years. Interest costs incurred as part of the related construction are capitalized during the period of construction. During 2010, the Medical Center capitalized net interest of \$168. No interest was capitalized during 2011.

Several capital projects have remaining construction and related equipment purchase commitments of approximately \$11,272 as of September 30, 2011.

The Medical Center recognizes the fair value of asset retirement obligations, including conditional asset retirement obligations, if the fair value can be reasonably estimated, in the period in which the liability is incurred. Asset retirement obligations include, but are not limited to, certain types of environmental issues which are legally required to be remediated upon an asset's retirement as well as contractually required asset retirement obligations. Conditional asset retirement obligations are obligations whose settlement may be conditional on a future event and/or where the timing or method of such settlement may be uncertain. Subsequent to initial recognition, accretion expense is recognized until the asset retirement liability is estimated to be settled.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

The Medical Center's most significant asset retirement obligation relates to required future asbestos remediation of physical plant and buildings constructed prior to 1975. Asset retirement obligations of \$392 and \$409 as of September 30, 2011 and 2010, respectively, are recorded in other noncurrent liabilities in the accompanying consolidated balance sheets. There are no assets that are legally restricted for purposes of settling asset retirement obligations.

During 2011 and 2010, \$17 and \$231, respectively, of retirement obligations were incurred and settled. Accretion expense of \$30 was recorded in 2010. No accretion expense was recorded during 2011.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the Medical Center has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, which include endowment funds. Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowments funds, are used in accordance with the donor's wishes, primarily to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted.

Contributions, Bequests, and Grants

Unrestricted contributions, bequests and grants are included in operating revenues when pledged or received, and donor restricted items are reflected as additions to net asset balances. Restricted expenditures are transferred to the unrestricted net asset balance if used for capital additions, reported as other operating revenue if used for operating purposes, or reported as an offset to revenue deductions if used for charity care.

Performance Indicator

The performance indicator is the excess of revenues and gains over expenses and losses. Changes in unrestricted net assets that are excluded from the performance indicator primarily include transfers from/to sponsors and other affiliates, net assets released from restrictions for property acquisitions, pension and other postretirement liability adjustments, and the changes in the unrestricted interest in the Foundation.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Operating and Non-operating Activities

The Medical Center's primary mission is to meet the health care needs in its market area through a broad range of general and specialized health care services, including inpatient acute care, outpatient services, and other health care services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to the Medical Center's primary mission are considered to be non-operating, consisting primarily of gains on invested funds, losses on disposal of property and equipment, unrestricted gifts and bequests and gains or losses on other investments.

Net Patient Service Revenue, Accounts Receivable and Allowance for Uncollectible Accounts

The following table summarizes net revenue from services to patients:

Year Ended September 30			
2011	2010		
\$1,025,622	\$ 938,000		
616,408	558,721		
\$ 400,189	7,662 \$ 371,617		
	Septem 2011 \$1,025,622 616,408 9,025		

Patient accounts receivable and revenue are recorded when patient services are performed. Amounts received from most payors are different from established billing rates of the Medical Center and these differences are accounted for as allowances

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided excluding the provision for bad debt expense and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenues related to prior periods increased net patient service revenue by approximately \$1,638 and \$1,597 for the years ended September 30, 2011 and 2010, respectively.

During 2011, approximately 39% of net patient service revenue was received under the Medicare program and 13% under the various state Medicaid programs, 31% from contracts with HMOs and PPOs, 9% from contracts with commercial carriers, and 8% from other payors. During 2010, approximately 41% of net patient service revenue was received under the Medicare program and 12% under various state Medicaid programs, 33% from contracts with HMOs and PPOs, 10% from contracts with commercial carriers, and 4% from other payors.

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. Significant concentrations of accounts receivable at September 30, 2011 include Medicare (39%) and various states' Medicaid programs (17%), HMOs and PPOs (13%), commercial carriers (11%), and self-pay and other (20%). Significant concentrations of accounts receivable at September 30, 2010, include Medicare (33%) and various states' Medicaid programs (19%), HMOs and PPOs (20%), commercial carriers (6%), and self-pay and other (22%).

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

The provision for bad debt expenses is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for bad debt expenses to establish an appropriate allowance for uncollectible accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the Medical Center follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health. Accounts receivable are written off after collection efforts have been followed in accordance with the Medical Center's policies.

New Accounting Standards

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-06, Improving Disclosures about Fair Value Measurements. ASU 2010-06 amended Accounting Standards Codification ("ASC 820"), Fair Value Measurements and Disclosure, to clarify certain existing fair value disclosures and require a number of additional disclosures. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each "class" of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2 and 3 of the fair value hierarchy and present information regarding the purchases, sales, issuances and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is delayed until 2011, the guidance in ASU 2010-06 became effective for reporting periods beginning after December 15, 2009. Adoption of ASU 2010-06 did not have a material effect on the Medical Center's consolidated financial statements.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

In August 2010, the FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure*. ASU 2010-23 requires that the level of charity care provided be presented based on the direct and indirect costs of the charity services provided. ASU 2010-23 also requires separate disclosure of the amount of any cash reimbursements received for providing charity care. ASU 2010-23 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The Medical Center is evaluating the impact of ASU 2010-23 on its consolidated financial statement disclosures.

In August 2010, the FASB also issued ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*. Under ASU 2010-24, anticipated insurance recoveries and estimated liabilities for medical malpractice claims or similar contingent liabilities will be presented separately on the balance sheet. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The Medical Center is evaluating the impact of ASU 2010-24 on its consolidated financial statements.

In July 2011, the FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. Under ASU 2011-07, certain health care entities that recognize significant amounts of patient service revenue at the time the services are rendered without assessing the patient's ability to pay will be required to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those health care entities will be required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Medical Center is evaluating the impact of ASU 2011-07 on its consolidated financial statements.

Income Taxes

The Medical Center, Multispecialty Group and the College are tax-exempt organizations under Internal Revenue Code Section 501(c) (3), and their related income is exempt from federal income tax under Section 501(a). The Medical Center accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Regulatory Compliance

The Medical Center is required to file annual operating information with the State of Connecticut Office of Health Care Access ("OHCA").

Various federal and state agencies have initiated investigations regarding reimbursement claimed by the Medical Center. The investigations are in various stages of discovery, and the ultimate resolution of these matters, including the liabilities, if any, cannot be readily determined; however, in the opinion of management, the results of these investigations will not have a material adverse impact on the consolidated financial statements of the Medical Center.

Reclassifications

Certain reclassifications were made to the 2010 consolidated financial statements to conform to the 2011 presentation.

Subsequent Events

The Medical Center evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date. For the year ended September 30, 2011, the Medical Center evaluated subsequent events through March 19, 2012, representing the date on which the accompanying audited consolidated financial statements were available to be issued. Except as disclosed in Note 7, there were no subsequent events that required recognition in the consolidated financial statements. Additionally, there were no other nonrecognized subsequent events that required disclosure.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

3. Cash and Cash Equivalents and Investments and Other Assets Limited as to Use

The Medical Center's investments are comprised of the Medical Center's pro rata share of the HSD's funds held for participants and certain other investments such as those investments held and managed by the Foundation. Board-designated investments represent investments designated by resolution of the Board of Directors to put amounts aside primarily for future capital expansion and improvements. Assets limited as to use primarily include investments restricted by donors. The Medical Center's investments are reported in the accompanying consolidated balance sheets as presented in the following table:

	September 30,			
	2011	2010		
Cash and cash equivalents	\$ 6,932	\$ 6,328		
Short-term investments	1,463	3 17,194		
Other investments	89,464	55,544		
Board-designated investments	184,050	192,125		
Assets limited as to use:				
Temporarily and permanently restricted	345	315		
Total	\$ 282,254	\$ 271,506		

The composition of cash and investments classified as cash and cash equivalents, short-term investments, board-designated investments, assets limited as to use, and other investments is summarized as follows:

	September 30,			
		2011		2010
Cash, cash equivalents and short-term investments Pro rata share of HSD funds held for participants	\$	7,277 274,977	\$	6,643 264,863
Cash and cash equivalents, short-term investments, Board-designated investments, assets limited as to use, and other investments	\$	282,254	\$	271,506
				•

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

3. Cash and Cash Equivalents and Investments and Other Assets Limited as to Use (continued)

As of September 30, 2011 and 2010, the composition of total HSD investments is as follows:

	2011	2010
Cash, cash equivalents and short-term investments	2.6%	5.8%
U.S. government obligations	35.4%	20.9%
Asset backed securities	15.6%	16.0%
Corporate and foreign fixed income investments	9.3%	17.5%
Equity, private equity and other investments	37.1%	39.8%
	100.0%	100.0%

As of September 30, 2011 and 2010, the composition of total Foundation investments is as follows:

	2011	2010
Cash, cash equivalents and short-term investments	20.1%	33.9%
U.S. government obligations	5.9%	4.6%
Asset backed securities	2.9%	2.9%
Corporate and foreign fixed income investments	5.3%	5.9%
Equity, private equity and other investments	65.8%	52.7%
	100.0%	100.0%

In order to evaluate the realizable value of its investments, the Medical Center management evaluates the available facts and circumstances. This evaluation requires significant judgment, including determinations involving the estimation of the outcome of future events, and also consists of an accumulation of factors about general market conditions which reflect prospects for the economy as a whole, the specific industries, and/or the specific securities under consideration. These factors are considered by management in determining whether the security still has earnings potential in the near future, and whether the security has an anticipated recovery in market value.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

3. Cash and Cash Equivalents and Investments and Other Assets Limited as to Use (continued)

Investment return recognized by the Medical Center is summarized as follows:

	Year Ended September 30			
	2011 2010			
Investment return in HSD	\$	7,962	\$ 27,367	
Interest and dividends Total investment return	\$	7,980	\$ 27,372	
Investment return included in non-operating gains Increase in restricted net assets	\$	7,962 18	\$ 27,367 5	
Total investment return	\$	7,980	\$ 27,372	

4. Fair Value Measurements

The Medical Center categorizes for disclosure purposes, assets and liabilities measured at fair value in the consolidated financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs which are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. The Medical Center's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

4. Fair Value Measurements (continued)

The Medical Center follows the three-level fair value hierarchy to categorize these assets and liabilities recognized at fair value at each reporting period, which prioritizes the inputs used to measure such fair values. Level inputs are defined as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities on the reporting date. Investments classified in this level generally include exchange traded equity securities, futures, real estate investment trusts, pooled short-term investment funds, options and exchange traded mutual funds.
- Level 2 Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specific (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Investments classified in this level generally include fixed income securities, including fixed income government obligations, asset-backed securities, certificates of deposit, and derivatives.
- Level 3 Inputs that are unobservable for the asset or liability. Investments classified in this level generally include alternative investments, private equity investments, limited partnerships, and certain fixed income securities, including fixed income government obligations, and derivatives.

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets. The Medical Center uses techniques consistent with the market approach and income approach for measuring fair value of its Level 2 and Level 3 assets and liabilities. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted).

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

4. Fair Value Measurements (continued)

As of September 30, 2011 and 2010, the Level 2 and Level 3 assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs:

Cash and cash equivalents and short-term investments

Short-term investments designated as Level 2 investments are primarily comprised of commercial paper, whose fair value is based on amortized cost. Significant observable inputs include security cost, maturity, and credit rating. Cash and cash equivalents and additional short-term investments are primarily comprised of certificates of deposit, whose fair value is based on cost plus accrued interest. Significant observable inputs include security cost, maturity, and relevant short-term interest rates.

Derivative assets and liabilities

The fair value of derivative contracts is primarily determined using techniques consistent with the market approach. Derivative contracts include interest rate, credit default, and total return swaps. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

U.S. government obligations

The fair value of investments in U.S. government, state, and municipal obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

Asset-backed securities

The fair value of U.S. agency and corporate asset-backed securities is primarily determined using techniques consistent with the income approach, such as a discounted cash flow model. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

4. Fair Value Measurements (continued)

Corporate and foreign fixed income investments

The fair value of investments in U.S. and international corporate bonds, including commingled funds that invest primarily in such bonds, and foreign government bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

Equity securities

The fair value of investments in U.S. and international equity securities is primarily determined using the calculated net asset value. The values for underlying investments are fair value estimates determined by external fund managers based on operating results, balance sheet stability, growth, and other business and market sector fundamentals.

Investments sold, not yet settled

The fair value of investments sold, not yet settled is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark, constant maturity curves, and spreads.

Guaranteed pooled fund

The fair value of guaranteed pooled fund investments is based on cost plus guaranteed, annuity contract-based interest rates. Significant unobservable inputs to the guaranteed rate include the fair value and average duration of the portfolio of investments underlying the annuity contract, the contract value, and the annualized weighted average yield to maturity of the underlying investment portfolio.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

4. Fair Value Measurements (continued)

Private equity investments

The fair value of private equity investments is primarily determined using techniques consistent with both the market and income approaches, based on the Medical Center estimates and assumptions in absence of observable market data. The market approach considers comparable company, comparable transaction, and company-specific information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results. The income approach considers the projected operating performance of the portfolio company.

As discussed in the Significant Accounting Policies and the Cash and Cash Equivalents, Investments, and Other Assets Limited as to Use notes, the Medical Center has an investment in the HSD and certain other investments such as those investments held and managed by the Foundation. As of September 30, 2011, 21%, 77% and 2% of total HSD assets that are measured at fair value on a recurring basis were measured based on Level 1, Level 2 and Level 3 inputs, respectively, while, 2%, 59% and 39% of total HSD liabilities that are measured at fair value on a recurring basis were measured at such fair values based on Level 1, Level 2 and Level 3 inputs, respectively. As of September 30, 2010, 25%, 66% and 9% of total HSD assets that are measured at fair value on a recurring basis were measured based on Level 1, Level 2 and Level 3 inputs, respectively, while, 31%, 34% and 35% of total HSD liabilities that are measured at fair value on a recurring basis were measured at such fair values based on Level 1, Level 2 and Level 3 inputs, respectively.

As of September 30, 2011, 67%, 18% and 15% of the total assets held by the Foundation on behalf of the Medical Center that are measured at fair value on a recurring basis were measured based on Level 1, Level 2 and Level 3 inputs respectively.

As of September 30, 2010, 61%, 29% and 10% of the total assets held by the Foundation on behalf of the Medical Center that are measured at fair value on a recurring basis were measured based on Level 1, Level 2 and Level 3 inputs, respectively.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

5. Long-Term Debt

Long-term debt consists of the following:

	September 30		
	2011	2010	
State of Connecticut Health and Educational Facilities Authority ("CHEFA"), Variable Rate Demand Revenue Bonds ("Ascension Health Credit Group"), Series 1999B payable through November 2029; subject to a fixed rate of interest through February 1, 2012; interest (3.5% at September 30, 2011) set at prevailing market rates	\$ 22,009	\$ 22,805	
Intercompany debt with Ascension Health, payable in installments through November 2047; interest (3.7% at September 30, 2011) adjusted based on prevailing blended market interest rate of underlying debt obligations	15,719	28,216	
Intercompany debt with Ascension Health, payable in installments from November 2030 through November 2047; interest (3.7% at September 30, 2011) adjusted based on prevailing blended market			
interest rate of underlying debt obligations	10,167	9,309	
	47,895	60,330	
Less current portion of long-term debt	989	1,035	
	\$ 46,906	\$ 59,295	

Year Ending September 30:	
2012	\$ 989
2013	987
2014	1,117
2015	1,194
2016	1,172
Thereafter	42,436
Total	\$ 47,895

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

5. Long-Term Debt (continued)

Certain members of Ascension Health formed the Ascension Health Credit Group ("Senior Credit Group"). Each Senior Credit Group member is identified as either a senior obligated group member or senior limited designated affiliate. Senior obligated group members are jointly and severally liable under a Senior Master Trust Indenture ("Senior MTI") to make all payments required with respect to obligations under the Senior MTI and may be entities not controlled directly or indirectly by Ascension Health. Though senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Senior MTI, each senior limited designated affiliate agreement and promissory note with Ascension Health with stipulated repayment terms and conditions, each subject to the governing law of the senior limited designated affiliate to transfer such amounts as are necessary to enable the senior obligated group members to comply with the terms of the Senior MTI, including payment of the outstanding obligations. The Medical Center is a senior obligated group member under the terms of the Senior MTI.

In November 1999, the Credit Group issued \$2,365,725 of Hospital Revenue Bonds Series 1999 Bonds (1999 Bonds) through eleven different issuing authorities in nine states. The Bonds of each series were issued pursuant to separate Bond Indentures, each dated as of November 1, 1999, between the related issuer of such series and the Bond Trustee for each series. The proceeds of each series of bonds were loaned by the related Issuer to Ascension Health (or, solely with respect to the Connecticut Bonds, the Connecticut Borrowers, (the Medical Center and Hall-Brooke Behavioral Health Services, Inc. ("Hall-Brooke")) pursuant to separate Loan Agreements, each dated as of November 1, 1999, between the related issuer of such series and Ascension Health (or, solely with respect to the Connecticut Bonds, a Connecticut Borrower). The proceeds of the Connecticut bonds were loaned to the Medical Center and Hall-Brooke and were used to refund the CHEFA Variable Rate Demand Revenue Bonds ("Charity Obligated Group") St. Vincent's Medical Center/Hall-Brooke Issue, Series 1999B.

Ascension Health, in its capacity of managing the system's debt program, has committed to making loans to the Medical Center through November 15, 2029 in amounts ranging from \$187 to \$626 annually, with repayment to occur in annual installments ranging from \$110 to \$1,278, from November 2030 through November 2047.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

5. Long-Term Debt (continued)

Pursuant to a Supplemental Master Indenture dated February 1, 2005, senior obligated group members, which are operating entities, have pledged and assigned to the Master Trustee a security interest in all of their rights, title, and interest in their pledged revenues and proceeds thereof.

A Subordinate Credit Group, which is comprised of subordinate obligated group members and subordinate limited designated affiliates, was created under the Subordinate Master Trust Indenture ("Subordinate MTI"). The subordinate obligated group members are jointly and severally liable under the Subordinate MTI to make all payments required with respect to obligations under the Subordinate MTI and may be entities not controlled directly or indirectly by Ascension Health. Though subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI, each subordinate limited designated affiliate has an independent limited designated affiliate agreement and promissory note with Ascension Health with stipulated repayment terms and conditions, each subject to the governing law of the limited designated affiliate's state of incorporation. The Medical Center is a subordinate obligated group member under the terms of the Subordinate MTI.

The borrowing portfolio of the Senior and Subordinate Credit Group includes a combination of fixed and variable rate hospital revenue bonds, commercial paper, and other obligations, the proceeds of which are in turn loaned to the Senior and Subordinate Credit Group members subject to a long-term amortization schedule of 1 to 37 years.

Certain portions of Senior and Subordinate Credit Group borrowings may be periodically subject to interest rate swap arrangements to effectively convert borrowing rates on such obligations from a floating to a fixed interest rate or vice versa based on market conditions. Additionally, Senior and Subordinate Credit Group borrowings may, from time to time, be refinanced or restructured in order to take advantage of favorable market interest rates or other financial opportunities. Any gain or loss on refinancing, as well as any bond premiums or discounts, are allocated to the Senior and Subordinate Credit Group members based on their pro rata share of the Senior and Subordinate Credit Group's obligations. Senior and Subordinate Credit Group refinancing transactions rarely have a significant impact on the outstanding borrowings or intercompany debt amortization schedule of any individual Senior and Subordinate Credit Group member. Members of Ascension Health may also periodically draw from the invested funds of other members of Ascension Health on a relatively short-term basis and subject to certain conditions.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

5. Long-Term Debt (continued)

The carrying amounts of intercompany debt with Ascension Health and other debt approximate fair value based on a portfolio market valuation provided by a third party.

The Senior and Subordinate Credit Group financing documents contain certain restrictive covenants, including a debt service coverage ratio.

As of September 30, 2011, the Senior Credit Group has a line of credit of \$250,000 related to its commercial paper program toward which bank commitments totaling \$250,000 extended to November 18, 2013. As of September 30, 2011 and 2010, there were no borrowings under the line of credit.

As of September 30, 2011, the Senior Credit Group has a line of credit of \$500,000 for general corporate purposes, toward which bank commitments totaling \$500,000 extend to April 2, 2012. As of September 30, 2011 and 2010, there were no borrowings under the line of credit.

As of September 30, 2011, the Subordinate Credit Group has a \$50,000 revolving line of credit related to its letters of credit program toward which a bank commitment of \$50,000 extends to December 28, 2011. As of September 30, 2011, \$37,370 of letters of credit had been extended under the revolving line of credit, although there were no borrowings under any of the letters of credit.

The outstanding principal amount of all hospital revenue bonds is \$4,100,240, which represents 39% of the combined unrestricted net assets of the Senior and Subordinate Credit Group members at September 30, 2011.

Guarantees are contingent commitments issued by the Senior and Subordinate Credit Groups, generally to guarantee the performance of a sponsored organization or an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and similar transactions. The term of the guarantee is equal to the term of the related debt which can be as short as 30 days or as long as 29 years. The maximum potential amount of future payments the Senior and Subordinate Credit Groups could be required to make under its guarantees, and other commitments at September 30, 2011 is approximately \$175,000.

Associated with the transfer of inpatient operations on October 1, 2008, the Medical Center assumed the principal and interest obligations of Hall-Brooke's outstanding debt with CHEFA (See Note 11).

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

5. Long-Term Debt (continued)

On April 1, 2011, the Medical Center participated with several other subsidiaries of SVHS in redeeming its intercompany debt with Ascension as part of a \$20,000 debt redemption. The Medical Center's portion of the debt redemption was \$12,258.

During the years ended September 30, 2011 and 2010, interest paid was approximately \$2,562 and \$2,186, respectively. Capitalized interest was approximately \$168, for the year ended September 30, 2010. There was no capitalized interest in 2011.

6. Permanently Restricted Endowments

The Medical Center's endowments consist of funds established for a variety of purposes. These endowments consist of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on donor-imposed restrictions. The endowment funds are held by the Foundation and investment decisions are made by the Foundation, with the Medical Center determining the amount of endowment assets to be appropriated for spending.

The Medical Center's Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Medical Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and, if applicable (c) accumulations to the permanent endowment made in accordance with the related gift's donor instructions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Medical Center in a manner consistent with the standard for expenditure as proscribed by UPMIFA. In accordance with UPMIFA, the Medical Center considers the following factors in making determinations to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Medical Center and the donor-restricted endowment fund.
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Medical Center
- (7) The investment policies of the Foundation

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

6. Permanently Restricted Endowments (continued)

Endowment Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Medical Center to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$490 and \$436 as of September 30, 2011 and 2010, respectively.

Return Objectives and Risk Parameters

The Foundation, in consultation with the Medical Center's Board of Trustees has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Medical Center must hold in perpetuity or for a donor-specified period. Under these policies, endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs. Actual results in any given year may vary from this amount. The Medical Center expects its endowment funds, over time, to provide an average rate of return to exceed inflation and investment fees, by at least 2% to 5%, dependent on investment mix. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Medical Center relies on the Foundation's total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Medical Center has a policy of evaluating the spending decisions for each endowment fund based upon the intentions of the donors and specific contractual agreements. In determining the annual amount to be spent, the Medical Center considers the long-term expected return on its endowment. Accordingly, over the long-term, the Medical Center expects the current spending policy to allow its endowment to grow at the average rate of inflation and investment fees annually. This is consistent with the Medical Center's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

6. Permanently Restricted Endowments (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2011

	Unre	stricted	porarily stricted	Permanently Restricted	Total
Endowment net assets, beginning balance (deficit) Investment return:	\$	(436)	\$ 1,149	\$ 10,088	\$ 10,801
Investment income Net depreciation (realized and		_	223	-	223
unrealized)		(54)	(204)	_	(258)
Total investment return		(54)	19	_	(35)
Contributions		_	_	20	20
Transfers		_	(56)	_	(56)
Appropriation of endowment assets for expenditure		_	(209)	26	(183)
Endowment net assets, ending balance (deficit)	\$	(490)	\$ 903	\$ 10,134	\$ 10,547

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2010

	Unrestricted	Temporarily Permanently Unrestricted Restricted Restricted		y Total	
Endowment net assets, beginning					
balance (deficit)	\$ (1,043)	\$ 860	\$ 9,513	\$ 9,330	
Investment return:					
Investment income	_	386	_	386	
Net appreciation (realized and					
unrealized)	607	10	_	617	
Total investment return	607	396	_	1,003	
Contributions	_	_	1,481	1,481	
Transfers	_	2	(906)	(904)	
Appropriation of endowment assets					
for expenditure	_	(109)	_	(109)	
Endowment net assets, ending					
balance (deficit)	\$ (436)	\$ 1,149	\$ 10,088	\$ 10,801	

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

7. Pension Plans

The Medical Center participates in the Ascension Health Pension Plan ("the Ascension Plan"), the Ascension Health Defined Contribution Plan ("the Defined Contribution Plan"), and the Supplemental Defined Benefit Retirement Plan ("SERP"). Details of these plans are as follows.

Ascension Health Pension Plan

The Medical Center participates in the Ascension Plan, a noncontributory defined benefit pension plan sponsored by Ascension Health, which covers all eligible employees of certain Ascension Health entities. Benefits cover all eligible employees hired prior to January 1, 2006 and are based on each participant's years of service and compensation. The Ascension Plan's assets are invested in the Ascension Health Master Pension Trust ("the Trust"), a master trust consisting of cash and cash equivalents, equity, fixed income funds, and alternative investments. The Trust also invests in derivative instruments, the purpose of which is to economically hedge the change in the net funded status of the Ascension Plan for a significant portion of the total pension liability that can occur due to changes in interest rates.

Contributions to the Ascension Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to Ascension Plan participants. Net periodic pension cost of \$8,740 and \$7,350 in 2011 and 2010, respectively, was charged to the Medical Center. The service cost component of net periodic pension cost charged to the Medical Center is actuarially determined while all other components are allocated based on the Medical Center's pro rata share of Ascension Health's overall projected benefit obligation.

The assets of the Ascension Plan are available to pay the benefits of eligible employees of all participating entities. In the event participating entities are unable to fulfill their financial obligations under the Ascension Plan, the other participating entities are obligated to do so. As of September 30, 2011 and 2010, the Ascension Plan had a net unfunded liability of \$253,377. The Medical Center's allocated share of the Ascension Plan's net unfunded liability reflected in the accompanying consolidated balance sheets at September 30, 2011 and 2010 was \$9,182 and \$35,674, respectively. As a result of updating the funded status of the Ascension Plan, the Medical Center's allocated share of the Ascension Plan's net funded liability was decreased by \$27,699 during 2011 and increased \$1,927 during 2010. These transfers are included in transfer from (to) sponsor and other affiliates net, in the accompanying consolidated statements of operations and changes in net assets.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

7. Pension Plans (continued)

As of September 30, 2011 and 2010, the fair value of the Ascension Plan's assets available for benefits was \$3,794,392 and \$3,420,351, respectively. As discussed in the Fair Value Measurements note, the Medical Center, as well as Ascension Health, follows a three-level hierarchy to categorize assets and liabilities measured at fair value. In accordance with this hierarchy, as of September 30, 2011, 17%, 48% and 35% of the Ascension Plan's assets which are measured at fair value on a recurring basis were categorized as Level 1, Level 2 and Level 3 investments, respectively. With respect to the Ascension Plan's liabilities measured at fair value on a recurring basis, 5%, 19% and 76% were categorized as Level 1, Level 2 and Level 3, respectively, as of September 30, 2011. Additionally, as of September 30, 2010, 31%, 42%, and 27% of the Ascension Plan's assets which are measured at fair value on a recurring basis were categorized as Level 1, Level 2 and Level 3 investments, respectively. With respect to the Ascension Plan's liabilities measured at fair value on a recurring basis, 9%, 17% and 74% were categorized as Level 1, Level 2 and Level 3, respectively as of September 30, 2010.

In December 2011, the Medical Center notified all Ascension Plan participants that the Ascension Plan will be frozen as of January 1, 2013, at which time all eligible associates will join the Defined Contribution Plan. The Medical Center is currently evaluating the impact this change will have on the Medical Center's financial statements.

Ascension Health Defined Contribution Plan

The Medical Center participates in the Defined Contribution Plan, a contributory, defined contribution plan sponsored by Ascension Health which covers all eligible associates hired after January 1, 2006. There are three primary types of contributions to the Defined Contribution Plan: employer automatic contributions, employee contributions and employers matching contributions. Benefits for employer automatic contributions are determined as a percentage of a participant's salary and increases over specified periods of employee service. These benefits are funded annually and participants become fully vested over a period of time. Benefits for employer matching contributions are determined as a percentage of an eligible participant's contributions each payroll period. These benefits are funded each payroll period and participants become fully vested in all employer contributions immediately. Defined contribution expense, representing both employer automatic contributions and employer matching contributions, was \$2,929 and \$2,882 for the years ended September 30, 2011 and 2010, respectively.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

7. Pension Plans (continued)

Supplemental Defined Benefit Retirement Plan

The Medical Center has a noncontributory supplemental defined benefit retirement plan (SERP) for certain executive and professional employees. The amount recorded in other liabilities as of September 30, 2011 and 2010 was \$4,663 and \$3,644, respectively. In 2011 and 2010, the discount rate used was 5%. The SERP is not funded.

8. Other Postretirement Employee Benefits

In addition to participation in Ascension Health's defined benefit and defined contribution pension plans, the Medical Center sponsors a defined benefit health care plan ("Health Plan") for certain employees that provides postretirement medical benefits to those employees who reach the age of 65 and satisfy certain service requirements. The Health Plan limits benefits to only current beneficiaries and current active employees who were at least age 62 with at least 7 years of service as of September 30, 2009.

The plan limits the Medical Center's contribution per employee to \$1.2 per annum. The Health Plan is not funded.

Significant disclosures relating to the Health Plan as of the measurement date (September 30) follow:

	2	2011	,	2010
Change in benefit obligation				
Benefit obligation, beginning of the year	\$ ((3,173)	\$ ((3,194)
Service cost		(19)		(19)
Interest cost		(151)		(171)
Actuarial gains (losses)		374		(53)
Benefits paid		271		264
Benefit obligation, end of the year	\$ ((2,698)	\$ ((3,173)
Change in plan assets				
Fair value of plan assets, beginning of the year	\$	_	\$	_
Employer contributions		271		264
Benefits paid		(271)		(264)
Fair value of plan assets, end of year	\$	_	\$	_

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

8. Other Postretirement Employee Benefits (continued)

	_	2011	2010
Funded status	\$	(2,698)	\$ (3,173)
Unrecognized gain		_	_
Unrecognized prior service cost		_	_
Accrued benefit cost	\$	(2,698)	\$ (3,173)
Components of net periodic benefit			
Service cost	\$	19	\$ 19
Interest cost		151	171
Net amortization and deferral		(37)	(65)
Net periodic cost	\$	133	\$ 125
Assumption			
Discount rate		4.64%	5.05%

Included in unrestricted net assets are the following amounts that have not yet been recognized in net periodic other postretirement benefit cost:

Se	September 30		
20	2010	2010	
\$	8 \$ 18 728 381		
\$ 7	736 \$ 399)	
		2011 2010 \$ 8 \$ 18 728 381	

Changes in benefit obligations recognized in unrestricted net assets during 2011 include:

Current year actuarial gains	\$ 374
Amortization of actuarial losses	(27)
Amortization of prior service cost	(10)
	\$ 337

The prior service credit and actuarial gains included in unrestricted net assets and expected to be recognized as a reduction of net periodic cost during the year ending September 30, 2012 are \$8 and \$267, respectively.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

8. Other Postretirement Employee Benefits (continued)

The following benefit payments which reflect expected future service are expected to be paid as follows:

2012	\$ 275
2013	281
2014	273
2015	266
2016	252
2017-2021	1,065

9. Self-Insurance Programs

The Medical Center participates in pooled risk programs to insure professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Actuarially determined amounts, discounted at 6%, are contributed to the trusts and the captive insurance company to provide for the estimated cost of claims. The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported and are discounted at 6% in 2011 and 2010. In the event that sufficient funds are not available from the self-insurance programs, each participating entity may be assessed its pro rata share of the deficiency. If contributions exceed the losses paid, the excess may be returned to participating entities.

Professional and General Liability Programs

The Medical Center participates in Ascension Health's professional and general liability self-insured program which provides claims-made coverage through a wholly owned on-shore trust and offshore captive insurance company, Ascension Health Insurance, Ltd. ("AHIL"), with a self-insured retention of \$10,000 per occurrence with no aggregate. The Medical Center has a deductible of \$100 per claim. Excess coverage is provided through AHIL, with limits up to \$185,000. AHIL retains \$5,000 per occurrence and \$5,000 annual aggregate for professional liability. AHIL also retains a 20% quota share of the first \$25,000 of umbrella excess. The remaining excess coverage is reinsured by commercial carriers.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

9. Self-Insurance Programs (continued)

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is professional and general liability expense of \$4,596 and \$7,143 for the years ended September 30, 2011 and 2010, respectively. Included in current and long-term self-insurance liabilities on the accompanying consolidated balance sheets are professional and general liability loss reserves of approximately \$4,426 and \$4,814 at September 30, 2011 and 2010, respectively.

Workers' Compensation

The Medical Center participates in Ascension Health's workers' compensation program which provides occurrence coverage through a grantor trust. The trust provides coverage up to \$1,000 per occurrence with no aggregate.

On July 1, 2011 the Medical Center implemented a \$100 deductible, thereby assuming responsibility for indemnity and expense for each and every claim occurring and reported after that date, up to the deductible amount. The trust provides a mechanism for funding the workers' compensation obligations of its members. Excess insurance against catastrophic loss is obtained through commercial insurers. Premium payments made to the trust are expensed and reflect both claims reported and claims incurred but not reported.

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is workers' compensation expense of \$1,360 and \$1,543 for the years ended September 30, 2011 and 2010, respectively.

10. Lease Commitments

Future minimum payments under noncancellable operating leases with terms of one year or more are as follows:

Year Ending September 30:	
2012	\$ 1,729
2013	1,617
2014	1,304
2015	951
2016	817
Thereafter	1,159
Total	\$ 7,577

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

10. Lease Commitments (continued)

Rental expense under operating leases amounted to \$2,948 and \$3,082 in 2011 and 2010, respectively.

11. Related Party Transactions

The Medical Center utilized various centralized programs and overhead services of Ascension Health or its other sponsored organizations including risk management, retirement services, treasury, debt management, executive management support, administrative services, and information technology services. The charges allocated to the Medical Center for these services represent both allocations of common costs and specifically identified expenses that are incurred by Ascension Health on behalf of the Medical Center. Allocations are based on relevant metrics such as the Medical Center's pro rata share of revenues, certain costs, debt, or investments to the consolidated totals of Ascension Health. The amounts charged for these services may not necessarily result in the net costs that would be incurred by the Medical Center on a stand-alone basis. The charges allocated to the Medical Center were approximately \$2,524 and \$2,378 for the years ended September 30, 2011 and 2010, respectively.

In addition to the charges discussed above, the Medical Center made payments to Ascension Health of \$6,243 and \$4,219 for the year ended September 30, 2011 and 2010, respectively, representing the Medical Center's share of costs to fund an Ascension Health system-wide information technology and process standardization project that is expected to continue through December 2014. These payments are included in transfers to sponsor and other affiliates, net, in the accompanying statements of operations and changes in net assets.

The Medical Center operates consolidated supportive functions, including information management, patient financial services, accounting, payroll, purchasing, dietary, human resources, security and medical record coding services. For the years ended September 30, 2011 and 2010, the Medical Center charged affiliated entities \$5,180 and \$3,372 for these services, respectively, which have been reported as other operating revenues in the consolidated statement of operations and changes in net assets.

During 2011 and 2010, the Medical Center transferred \$511 and \$519 to its sponsor, Ascension Health, to fund the Medical Center's allocated portion of an unmet debt obligation of a former member of the obligated group. Ascension Health's current intentions are to allocate similar amounts to the Medical Center during the years 2009 through 2013. In addition, during 2010, the Medical Center transferred \$8,169, to Ascension Health for system initiatives. No such amounts were transferred in 2011.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

11. Related Party Transactions (continued)

On January 1, 2010, Hall-Brooke transferred both of its behavioral health clinics to the Medical Center. The Medical Center retained Hall-Brooke to manage the clinics during the period from January 1, 2010 through June 30, 2011, when the employees became employees of the Medical Center and Hall-Brooke no longer provided these management services. Management fees paid to Hall-Brooke were approximately \$2,175 and \$2,206 for the year ended September 30, 2011 and 2010, respectively.

In 2008, Hall-Brooke terminated its operations of 86 license beds and transferred its inpatient operating license for 76 of these beds to the Medical Center. With the transfer, Hall-Brooke transferred all of the property and land associated with its Westport campus and entered into a lease with Hall-Brooke relating to the Seton Academy, which is located on the property.

As partial consideration, the Medical Center entered into a long-term note agreement with Hall-Brooke; whereby the Medical center agreed to assume the principle and interest payments of Hall-Brooke's outstanding CHEFA Variable Rate Demand Revenue Bonds, Series 1999B ("the Bonds") as of the date of the transfer. The terms of the note are consistent with the terms of the Bonds and bear no interest or administrative fees, other than the interest costs of the Bonds. The Bonds are subject to a seven-day put provision payable in installments through November 2029 and interest is set at the prevailing market rate (3.5% at September 30, 2011). Hall-Brooke is in the process of legally transferring its obligation under the Bonds directly to the Medical Center, however, Hall-Brooke remains the obligated party at September 30, 2011. The note will be considered fully satisfied when Hall-Brooke's legal obligation under the Bonds is successfully transferred to the Medical Center.

Scheduled principal payments on the note are as follows:

Year Ending September 30:		
2012	\$	438
2013		438
2014		438
2015		471
2016		473
Thereafter		8,933
Total	\$ 1	1,191

Interest paid on the note payable was \$426 and \$358 in 2011 and 2010, respectively.

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

12. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	September 30		
	2011	2010	
Health care services	\$ 2,325	\$ 2,462	
Education and training	1,725	1,738	
Capital	4,937	9,322	
Other	2,549	3,009	
	\$ 11,536	\$ 16,531	

Permanently restricted net assets are to be held in perpetuity, the income from which is used for temporarily restricted Medical Center activities and expendable for the following purposes:

	Septer	nber 30
	2011	2010
Health care services Education Capital Other	\$ 5,977 1,928 1,393 836	\$ 5,943 1,922 1,393 830
Other	\$ 10,134	\$ 10,088

13. Commitments and Contingencies

In addition to professional liability claims, the Medical Center is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without a material adverse effect on the Medical Center's consolidated balance sheets.

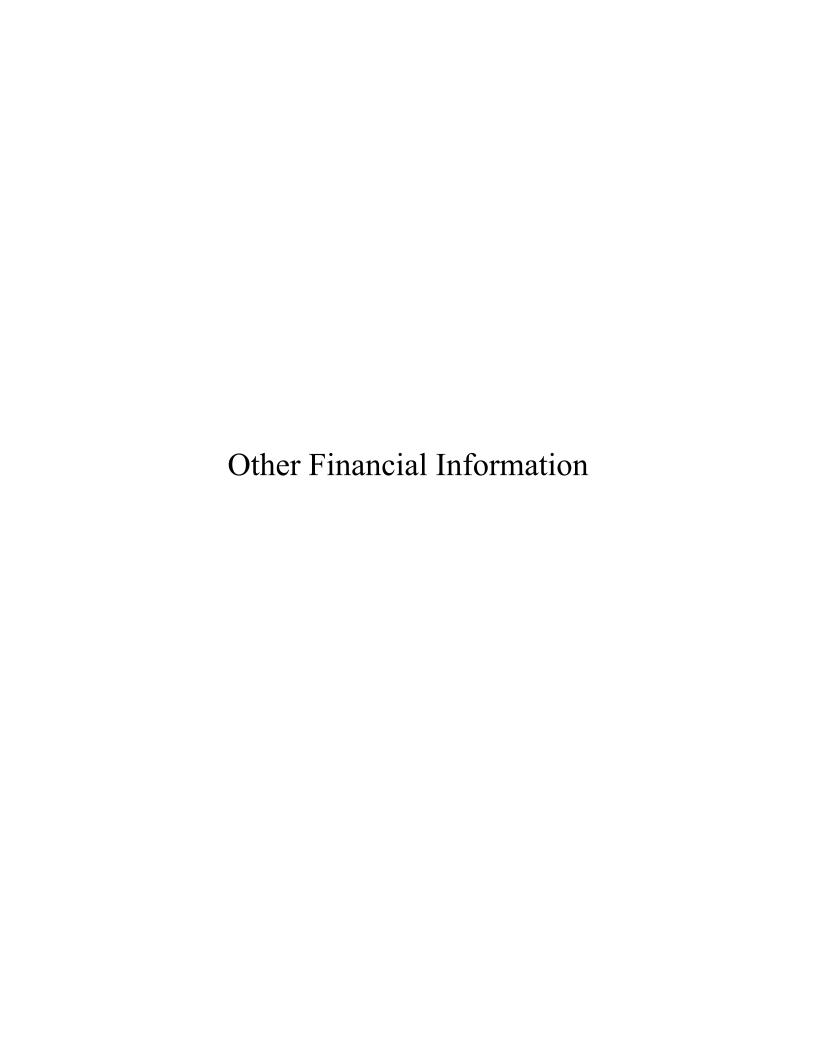
Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

13. Commitments and Contingencies (continued)

In January 2006, the Medical Center, AHIL, and an insurance provider entered into an agreement to provide professional liability insurance for community physicians. The agreement stipulates that future actuarial gains and losses will be solely the responsibility of the Medical Center. As of September 30, 2011 and 2010, such gains and losses cannot be determined. Management expects any related adjustment will not have a material adverse effect on the Medical Center's consolidated financial position.

In September 2010, Ascension Health received a letter from the U. S. Department of Justice ("the DOJ") in connection with its nationwide review to determine whether, in certain cases, implantable cardioverter defibrillators ("ICDs") were provided to certain Medicare beneficiaries in accordance with national coverage criteria. In connection with this nationwide review, the Medical Center will be reviewing applicable medical records for response to the DOJ. The DOJ's investigation spans a time frame beginning in 2003 and extending through the present time. At September 30, 2011 the review remains in its early stages. As such, no estimates of liability have been or can be reached relative to the impact this investigation could have on the Medical Center. Through March 15, 2012, the DOJ has not asserted any claims against the Medical Center. Ascension Health and the Medical Center continue to fully cooperate with the DOJ in its investigation.





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Report of Independent Auditors on Other Financial Information

Board of Directors The St. Vincent's Medical Center Bridgeport, Connecticut

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. Financial statements for St. Vincent's College, Inc. (College) were audited by other auditors. The basic consolidating information and the Schedule of Net Cost of Providing Care of Persons Who are Poor and Community Benefit Programs are presented for purposes of additional analysis of the basic consolidated financial statements, and are not required parts of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, based on our audits and the report of the other auditors, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

March 19, 2012

The St. Vincent's Medical Center

Consolidating Balance Sheet

September 30, 2011 (Dollars in Thousands)

	The St. Vincent's Medical Center	The St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College, Inc.	Consolidated The St. Vincent's Medical Center
Assets				
Current assets:				
Cash and cash equivalents	\$ 6,480	\$ 409	\$ 43	\$ 6,932
Investments in Health System Depository	97	342	1,024	1,463
Accounts receivable, less allowances for uncollectible				
accounts of \$28,642	46,049	1,577	_	47,626
Advances to parent and affiliated entities, net	15,022	(6,522)	(31)	8,469
Inventories and other	8,146	56	648	8,850
Total current assets	75,794	(4,138)	1,684	73,340
Investments in Health System Depository	81,975	_	7,489	89,464
Board-designated investments and assets limited as to use:				
Investments in Health System Depository	184,050	_	_	184,050
Temporarily restricted	194	_	83	277
Temporarily restricted Interest in the St. Vincent's Medical				
Center Foundation, Inc.	9,927	_	1,332	11,259
Permanently restricted	68	_	_	68
Permanently restricted Interest in the St. Vincent's Medical				
Center Foundation, Inc.	8,332	_	1,734	10,066
Total board-designated investments and assets limited as to				
use	202,571	_	3,149	205,720
Interest in The St. Vincent's Medical Center Foundation, Inc.	_	_	312	312
Property and equipment:				
Land and improvements	7,808	_	_	7,808
Buildings and equipment	392,398	88	908	393,394
Construction in progress	7,862	8	_	7,870
Less accumulated depreciation	(197,451)	(6)	(712)	(198,169)
Total property and equipment, net	210,617	90	196	210,903
Other assets	12,515	375	9	12,899
Total assets	\$ 583,472	\$ (3,673)	\$ 12,839	\$ 592,638

Consolidating Balance Sheet (continued)

September 30, 2011 (Dollars in Thousands)

	Vincent's Medical Center	The St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College, Inc.	Consolidated The St. Vincent's Medical Center
Liabilities and net assets				_
Current liabilities:				
Accounts payable and accrued liabilities	\$ 44,266	\$ 2,573	\$ 3,315	\$ 50,154
Current portion of long-term debt	989	_	_	989
Current portion of note payable, affiliate	438	_	_	438
Estimated third-party payor settlements	10,883			10,883
Total current liabilities	56,576	2,573	3,315	62,464
Noncurrent liabilities:				
Long-term debt	46,906	_	_	46,906
Pension and other postretirement liabilities	10,738	738	431	11,907
Self-insurance liabilities	2,432	531	_	2,963
Note payable, affiliate	10,753	_	_	10,753
Other	10,140	_	_	10,140
Total noncurrent liabilities	80,969	1,269	431	82,669
Total liabilities	137,545	3,842	3,746	145,133
Net assets:				
Unrestricted	427,407	(7,515)	5,943	425,835
Temporarily restricted	10,120		1,416	11,536
Permanently restricted	8,400	_	1,734	10,134
Total net assets	445,927	(7,515)	9,093	447,505
Total liabilities and net assets	\$ 583,472	\$ (3,673)	\$ 12,839	\$ 592,638

The St. Vincent's Medical Center

Consolidating Statement of Operations and Changes in Unrestricted Net Assets

Year Ended September 30, 2011 (Dollars in Thousands)

	The St. Vincent's Medical Center	The St. Vincent's Multispecialty Group, Inc.	The St. Vincent's College, Inc.	Eliminations	Consolidated The St. Vincent's Medical Center
Operating revenues:					
Net patient service revenue	\$ 389,074	\$ 11,115	\$ -	\$ -	\$ 400,189
Other revenue	7,720	16,152	5,145	(17,049)	11,968
Net assets released from restrictions for					
operations	243	_	957	_	1,200
Total operating revenues	397,037	27,267	6,102	(17,049)	413,357
Operating expenses:					
Salaries and wages	144,941	22,189	3,588	_	170,718
Employee benefits	39,463	2,475	1,137	_	43,075
Purchased services	46,875	1,812	367	(17,049)	32,005
Professional fees	7,717	174	191		8,082
Supplies	59,221	30	133	_	59,384
Insurance	3,552	1,611	3	_	5,166
Bad debts	32,811	1,020	24	_	33,855
Interest	2,562	_	_	_	2,562
Depreciation and amortization	22,895	6	53	_	22,954
Other	22,273	500	498	_	23,271
Total operating expenses	382,310	29,817	5,994	(17,049)	401,072
Income (loss) from operations	14,727	(2,550)	108	_	12,285
Non-operating gains (losses):					
Investment gains (losses)	7,829	4	129	_	7,962
Other	(694)	_	775	_	81
Total non-operating gains, net	7,135	4	904	_	8,043
Excess (deficiency) of revenues and gains over					
expenses and losses	21,862	(2,546)	1,012	_	20,328
Transfers to sponsor and other affiliates, net	20,120	(493)	471	-	20,098
Net assets released from restrictions for property acquisitions	8,092	_	_	_	8,092
Pension and other post-retirement liability	4,068	288	177		4,533
adjustments Increase (decrease) in unrestricted net assets	54,142	(2,751)	1,660		53,051
increase (decrease) in unrestricted net assets	•	, ,	1,000	_	,
Unrestricted net assets, beginning of the year	373,265	(4,764)	4,283	_	372,784
Unrestricted net assets, end of the year	\$ 427,407	\$ (7,515)	\$ 5,943	\$ -	\$ 425,835

Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs

Year Ended September 30, 2011 (Dollars in Thousands)

The net cost to the Medical Center, excluding the provision for bad debt expense, of providing care of persons living in poverty and community benefit programs is as follows:

Traditional charity care provided	\$ 3,553
Unpaid cost of public programs for the poor	4,924
Other programs for the poor	4,566
Community benefit programs	7,597
Care of persons who are poor and community benefit programs	\$ 20,640

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